



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204

Reply to
Attn. of:

NOV 8 1993

SP 94-C-26

Subject: Fiscal Action on Overpayments to School Food Authorities--Overpayment Disregard

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, Missouri ED,
(Special Nutrition Programs) Montana OPI, Nebraska ED, North Dakota,
South Dakota, Utah, Wyoming ED

A State agency (SA) which determines through review or audit that it has overpaid National School Lunch Program (NSLP), School Breakfast Program (SBP) or Special Milk Program (SMP) reimbursement to a school food authority in any fiscal year may have an option to disregard such overpayment(s). The current regulations permit an overpayment disregard for an overpayment which is \$600 or less (7 CFR 210.19 (d), 215.13 (e), and 220.15 (f)). The following guidance addresses three points concerning such overpayment disregards, and is not a comprehensive statement of guidance or policy on all aspects of overpayment disregard.

1. The disregard applies separately to each of the three programs mentioned above, and cannot be considered cumulative for SFAs operating more than one of these programs. For example: if the total overpayments for NSLP, SBP and SMP are \$650, \$220, and \$120, respectively, the \$650 overpayment for NSLP must be recovered in its entirety, but the SBP and SMP overpayments may be disregarded.
2. An SA may find that overpayments have occurred in more than one fiscal year--such as in a case in which fiscal action from a review or an audit is to be extended back to the beginning of the school year or that point in time during the current school year when the infraction first occurred. The calculation of overpayment must be made separately for each fiscal year. However, once the calculations have been made for the separate fiscal years, the calculations are then combined in order to determine the final overclaim in each program. The calculations are first made for each respective fiscal year so that when final fiscal action can be determined, correct adjustments may then be made, as necessary, to participation figures for the fiscal years affected.
3. Adjustment to participation data, as reported on the FNS-10, is to be made only when an overpayment is collected, or an underclaim paid. In all instances in which an overpayment is disregarded, no adjustment is to be made to current or past FNS-10 figures.

Please contact us if you have any questions on these matters.

Ann C. Hector

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Regional Director
Special Nutrition Programs